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UNCLAS HARARE 001681

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SUBJECT: Business Seeks to Rebuild Govt Ties

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Ref: Harare 1347

1. (SBU) Summary: The Confederation of Zimbabwe Industries' (CZI) top female official berated the GOZ's trade-unfriendly policies and general economic mismanagement. However, she expressed hope that President Mugabe would send the business community a positive signal either by meeting face-to-face with CZI leaders or by allowing a serious succession discussion at the ruling ZANU-PF's December congress. End summary.

2. (SBU) Econoff met Oct 1 with incoming CZI Vice President Florence Sachikonye, the first woman voted into a senior office of the country's preeminent business association. Owner of a chain of Harare's top clothes boutiques, Sachikonye related her own frustration as an importer. Since the Reserve Bank (RBZ) introduced its currency auctions in January, Sachikonye's firm has failed each time at buying U.S. dollars through this lone official channel. Like many importers, she has had to source foreign exchange through the illegal parallel market. Nonetheless, Sachikonye complies with the GOZ's apparel tariffs, including 65 percent duty plus Z\$ 250,000 (US\$ 45)/kg. She complained that a single pair of men's shoes can weigh one kilogram, pushing duty well beyond 100 percent. Sachikonye added that her clothes compete against smuggled - and hence duty-free - Chinese-made apparel. She worries that GOZ customs officials will start asking her to explain her source of foreign exchange as her containers enter the country.

3. (SBU) In her capacity as the new CZI VP, Sachikonye hopes she will be able to arrange a meeting between President Mugabe and CZI officials. The last such encounter took place six years ago. Mugabe has also declined invitations to address CZI's annual congress for the past three years. Sachikonye said CZI will continue to support RBZ Governor Gideon Gono, not because members agree with his policies but CZI believes because he is the only GOZ official with a chance of improving the business climate. She dismissed other senior GOZ officials, such as acting Finance Minister Herbert Murerwa and Industry/Trade Minister Samuel Mumbengegwi, as Mugabe's "yes-men." Finally, she speculated that a ZANU-PF December congress that addresses presidential succession would motivate firms to invest in the economy.

4. (SBU) Comment: As we observed at the August CZI Congress (ref), business leaders are more willing than even a year ago to take GOZ officials to task for poor policies. Part of the credit for rebuilding this government-business dialogue goes to Gono and part to CZI's outspoken, recently-exited President Anthony Mandiwanza. Certainly, GOZ officials are more receptive to criticism from the relatively apolitical business community than from the opposition, civil society or any international players. Whether this modest government-business dialogue can help bring about saner economic policies is still an open question.

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